

MERCHANDISING LICENSE AGREEMENT

AGREEMENT, dated ~~March 16, 1983~~ ^{MAY 24 1983} by and between MERCHANDISING CORPORATION OF AMERICA, INC., 100 Universal City Plaza, Universal City, California 91608 (herein called "Licensor"), and

National Electronics & Watch Co. Ltd.
14th floor, Yally Industrial Building
6 Yip Fat Street, Wong Chuk Hang
Aberdeen, Hong Kong
Attn: Mr. Ricky Wai



(herein called "Licensee").

WHEREAS, Licensor owns or controls the right to license third parties to use, in merchandising activities, certain Proprietary Subject Matter and to control such use; and

WHEREAS, Licensor desires to license the following specific said Proprietary Subject Matter:

Title: KING KONG

Characters/Artwork: To be specified.

and

WHEREAS, Licensee desires to license the right to use said Proprietary Subject Matter in connection with the manufacture, sale and distribution of the following

Articles: ~~Animated watches~~ WRIST GAME WATCHES

(the "Articles");

NOW, THEREFORE, in consideration of the mutual promises herein contained, it is hereby agreed as follows:

I. THE TERRITORY: The Territory in which such licensed Articles may be distributed shall be: throughout the world.

II. TERM: The term of this license shall be as follows:

Initial Period: March 23, 1983 to December 31, 1984.

Option Period: None

III. GRANT OF LICENSE: Upon the terms of this license as herein set forth, Licensor grants to Licensee, and Licensee hereby accepts from Licensor, the (~~non-exclusive~~) (exclusive) license to utilize the Proprietary Subject Matter described above upon or in connection with the Articles set forth above, solely in connection with the manufacture, sale and distribution of such Articles during the Term and in the Territory set forth above.

IV. PAYMENT: Licensee shall pay to Licensor the following:

a) ROYALTY: A royalty of eight percent (8%) of ^{FOB HONG KONG} ~~gross wholesale~~ sales calculated at source on the in-territory delivery wholesale price of each Article without deductions of any sort (including but not limited to manufacturing costs, freight, bad debts, distribution costs, advertising costs, marketing or promotion costs and trade discounts with the exception of quantity discounts), herein sometimes referred to as the "Royalty Base Price", less cash returns and credit returns for defective merchandise. Irrespective of the actual sales price of each Article, the "Royalty Base Price" shall be no less than Licensee's regular, full, "top-of-the-line" in-territory delivery wholesale price. The aforementioned royalty shall be payable on all Articles distributed by Licensee, including Articles not billed, such as free samples (except for free samples in quantities less than 1/10 of 1% of royalty sales), such royalty to be based upon the usual billing price for such Articles as if sold in the normal course of business.

Royalty reports in full detail including a product sales breakdown by style number, article, artwork and territory, and payments shall be made quarterly within 21 days after each calendar quarter. Acceptance thereof by Licensor shall not preclude Licensor from questioning correctness of same at any time. If such royalty report and/or payment in any calendar quarter is late, any unpaid guarantee set forth herein shall become immediately due and payable, at our written demand. Non-U.S. royalties for non-U.S. territories licensed hereunder shall be in U.S. dollars at the closing rate of exchange on the first day of the term hereof. If any royalty payment is late, interest shall accrue thereon from the due date at the lesser of the common prime interest rate or the maximum rate permitted by law.

b) GUARANTEED MINIMUM ROYALTY: As of December 31, 1984, Licensee guarantees to pay any difference between royalties paid and Thirty Thousand Dollars (\$30,000.00).

c) ADVANCE: A non-refundable, non-returnable advance against royalties to be earned as above, of Ten Thousand Dollars (\$10,000.00) to be paid on execution of this Agreement.

V. BOOKS AND RECORDS: Licensee agrees to keep accurate books of accounts and records covering all transactions relating to this license. Licensor or its authorized representative shall have the right at reasonable hours to examine said books and records and all other documents and material in the possession or under the control of Licensee with respect to the subject matter and terms hereof and for the purpose of making extracts therefrom. Upon demand of Licensor, Licensee shall at the expense of Licensor furnish to Licensor a detailed statement by an independent certified public accountant, showing the number, description, actual selling price and itemized deductions from such price of the Articles distributed and/or sold by Licensee to the date of Licensor's demand. All books of account and records shall be kept available for at least three (3) years after the termination of this license. On reasonable notice, Licensor shall have the right to have an independent certified public accountant, or Licensor's authorized representative examine Licensee's records. If a review of Licensee's records indicates a discrepancy of five percent or more, Licensee shall pay Licensor's auditing fees and expenses for said audit in addition to any other payment due. In the event

that Licensor shall examine the records, documents and materials in the possession of or under the control of the Licensee with respect to the subject matter, Licensor and/or its duly authorized representatives shall not disclose to any other person, firm or corporation any specific information acquired as a result of any such examination; provided, however, that nothing herein contained shall be construed to prevent Licensor and/or its duly authorized representatives from testifying in any court of competent jurisdiction with respect to the information obtained as a result of such examination, in any action instituted to enforce the rights of the Licensor under the terms of this Agreement.

VI. MATERIALS SUPPLIED TO LICENSEE: All materials supplied by Licensor to Licensee shall be at Licensee's expense.

VII. MANUFACTURE AND DISTRIBUTION: During the term of this license, Licensee shall diligently and continuously manufacture, distribute and sell the Articles and shall make and maintain adequate arrangements for the distribution of the Articles in all available markets throughout the Territory. If Licensee shall a) not make all reasonable efforts to submit complete prototypes of the Articles for approval within three (3) months of the execution hereof, or b) not make substantial quantities of each Article available for distribution within three (3) months after the approval of each Article under the terms of this Agreement, or c) if any Article (or any class or category of the Articles) is thereafter unavailable for one full calendar quarter, Licensor in addition to all other remedies available to it hereunder may terminate this license with respect to any Articles or category thereof which have not been manufactured and distributed during such quarter by giving written notice of termination to Licensee. Such notice, by certified mail, return receipt requested, shall be effective upon receipt. No termination pursuant to this paragraph shall relieve Licensee of its obligation to make all of the payments required under Paragraph IV., and all such payments shall be immediately due and payable.

For purposes of this Section, "substantial quantities" shall mean the timely manufacture of sufficient quantities to meet at least Licensee's average order level for its regular distributors and/or customers for similar articles of the type licensed hereunder.

Licensee agrees to sell and distribute the Articles outright, and not on an approval, consignment or return basis (other than to Licensor and/or Licensor's designees) through its normal distribution channels for distribution to the public. It is specifically agreed and understood that no premium rights are licensed hereunder and that as an exception to any exclusivity hereunder, all such rights to license premium sales of the Articles are reserved by Licensor.

Licensee may not sublicense any of its rights, either to a third party or to any non-wholly owned subsidiary or affiliate of licensee. Should Licensee wish to appoint a subdistributor, such agreement shall be subject to Licensor's prior written approval. Should Licensee wish to manufacture outside the Territory, Licensor shall receive written notice of such foreign manufacture, and proposed manufacturer, and Licensor reserves the right to disapprove any such foreign manufacture, or manufacturer, by written notice to Licensee, and if Licensor so disapproves, Licensee shall not utilize such manufacturer. Licensor may

require a signed agreement between Licensor and Licensee's manufacturer(s) prior to granting such approval.

VIII. GOODWILL: Licensee acknowledges that a great deal of time and effort have gone into developing the goodwill surrounding the Proprietary Subject Matter, and Licensee agrees that it will not do anything which would jeopardize such goodwill, and that any goodwill developed hereunder shall accrue to the benefit of UNIVERSAL CITY STUDIOS, INC.

IX. COPYRIGHT AND TRADEMARK: All ownership, copyrights, trademarks and patents in articles licensed hereunder, as well as in all artwork, packaging, copy, literary text, advertising material of any sort, including all such material developed by Licensee shall be in the name of Universal City Studios, Inc. and all such items shall bear copyright direct, which are presently as follows:

Copyright: ¹⁹⁸³ © ~~1982~~ Universal City Studios, Inc. All rights reserved.

Trademark: TM* *a trademark of and licensed by Universal City Studios, Inc.

Licensee agrees that he shall sign separate patent, trademark and/or copyright agreements with Licensor or Licensor's designee at Licensor's request.

Licensor shall control absolutely all infringement litigation involving or affecting this license. Licensor may join Licensee as a party thereto at Licensor's expense. If Licensor commences or prosecutes any claim or suits in the name of Licensee or joins Licensee as a party thereto, in the event any conflict of interest arises, Licensee expressly agrees and understands that counsel prosecuting the suit in the name of Licensee shall be deemed to be Licensor's counsel for all purposes, and in the event a dispute arises between Licensor and Licensee, Licensee agrees and understands that counsel prosecuting any such suit shall be permitted to continue to represent Licensor, and Licensee agrees not to object to such representation.

X. APPROVALS AND QUALITY OF MERCHANDISE: The Licensee acknowledges that the quality of articles manufactured and sold by it, in design, material or workmanship, substantially effect the goodwill which the Licensor has built up and now possesses in the Proprietary Subject Matter. Accordingly, the Licensee undertakes that the articles shall be of high standard and of such style, appearance and quality as shall be reasonably adequate and suited to their exploitation to the best advantage, and shall ensure that all articles comply with all federal, state, and local laws and regulations, including product safety.

All prototypes and all stages of production of the Articles and of all artwork, copy, packaging, literary text and advertising materials, including the quality and style of all the aforesaid, shall be subject to Licensor's prior written approval before manufacture, sale or distribution thereof. Material submitted for approval and not disapproved within 10 business days after such material is received by Licensor, will be deemed approved. Licensor's approval shall be consistent with Licensor's policy in dealing with all other Licensees of this Proprietary Subject Matter. All such material supplied by Licensee to Licensor shall be at Licensee's expense. Licensee

shall supply Licensor with up to 25 samples of each of the Articles at Licensor's request (10 at the time of first manufacture) and a royalty shall not be payable on such samples. Nothing herein contained shall relieve Licensee from its obligation to be solely responsible for the workmanship of the Articles with respect to all applicable safety standards and regulations and product liability claims.

XI. INSURANCE: Licensee agrees, at his own expense, to maintain a Comprehensive General Liability insurance policy for the entire term of this license Agreement including the coverage parts for contractual liability (applying to the terms and conditions of this Agreement), Products Liability and Personal Injury Liability, with a minimum combined single limit of liability of not less than \$3,000,000 each occurrence. Licensee shall provide Licensor (MERCHANDISING CORPORATION OF AMERICA, INC.), upon execution hereof, with a policy endorsement in the form of a Vendor's Broad Form Policy Endorsement to Licensee's Product Liability insurance coverage naming UNIVERSAL CITY STUDIOS, INC. and MERCHANDISING CORPORATION OF AMERICA, INC., its parent and affiliated companies as additional insureds.

XII. WARRANTIES, REPRESENTATIONS & INDEMNIFICATION: Licensor represents and warrants that it owns or controls the right to license third parties the right to use, in merchandising activities, the Proprietary Subject Matter licensed herein, and Licensor agrees to indemnify Licensee against all claims, suits, damages and expenses, including legal fees, arising out of Licensor's breach of its representation hereunder.

Licensee agrees to indemnify, defend and hold harmless UNIVERSAL CITY STUDIOS, INC. and MERCHANDISING CORPORATION OF AMERICA, INC., its parent and affiliated companies and their respective officers, employees, agents and all persons whose names and/or likenesses are licensed to Licensee hereunder resulting from any and all claims, losses, damages, costs and expenses (including attorney's fees) arising out of any actual or alleged bodily injuries, death, property damage or personal injuries which are alleged to have arisen out of any negligent, wrongful or intentional act or failure to act, including liability for breach of warranties or representations whether express or imposed by law (strict liability) or by any breach by Licensee of any representations or agreements hereunder related directly or indirectly to Licensee's performance under this Agreement or by virtue of the production and/or distribution and/or sale of any merchandise or products licensed hereunder.

Licensee's obligations under this contract shall in no event be diminished or deferred in the event that the Licensee shall be sued by a third party for copyright or trademark infringement or any other matter arising out of this license and, further, Licensee agrees that it will not assert the pendency of such claim as an offset against or to avoid any of its obligations (including the payment of advances, guarantees and royalties) under the terms of this Agreement.

XIII. BREACH OR DEFAULT: In addition to the above, in the event Licensee breaches or fails to perform any of the material provisions of this Agreement, Licensor shall, in addition to all of its other rights and remedies, have the right to terminate this Agreement on notice in writing to Licensee. Upon such termination, all royalties and the Guaranteed Minimum Royalty payment shall

be immediately due and payable, and all advances theretofore made to Licensor shall be retained by Licensor, and Licensee shall immediately cease the manufacture, sale and distribution of all Articles licensed hereunder and shall furnish Licensor with a complete inventory report and accounting together with all payments due within 30 days after the mailing of such notice of termination.

XIV. BANKRUPTCY: If Licensee files for voluntary bankruptcy, or is placed in bankruptcy which is not dissolved after 30 days, or if it becomes insolvent, or makes an assignment for the benefit of its creditors or an arrangement pursuant to any bankruptcy law, or if Licensee discontinues its business or if a receiver is appointed for it or its business, this license shall terminate forthwith without notice. If this license so terminates, Licensee, its receivers, representatives, trustees, agents, administrators, successors and/or assigns shall have no right to sell, exploit or in any way deal with or in any of the Articles or any carton, container, packaging or wrapping material, advertising, promotional display material pertaining thereto, except with the prior written consent and pursuant to written instructions of Licensor.

XV. EXPIRATION: Upon the expiration of the term of this Agreement, or other termination, all rights licensed hereunder or otherwise acquired in relation to this Agreement shall revert to Licensor or its designees. Licensee agrees that its failure to stop manufacture, sale and/or distribution upon expiration or termination hereof as provided above will result in immediate irreparable damage to Licensor, that there is no adequate remedy at law for such failure, and that in the event of such failure, Licensor shall be entitled to injunctive relief, and no bond shall be required therefore.

With respect only to the expiration of this Agreement in due course, and not by reason of any prior termination, Licensee shall have 60 days in which to sell off existing inventory of the Articles licensed hereunder with accounting and payment therefore due 30 days thereafter. Such sell-off shall be subject to all of the terms and conditions of this Agreement, including Licensee's obligation to pay royalties on the "Royalty Base Price" as set forth in Paragraph IV. hereof, unless Licensor shall otherwise approve in writing. Following such sell-off period, all remaining inventory shall be destroyed, and a Certificate of Destruction shall be forwarded to Licensor.

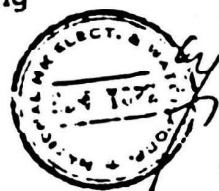
XVI. NOTICES AND PAYMENTS: Unless otherwise directed by Licensor, all notices shall be sent to:

MERCHANDISING CORPORATION OF AMERICA, INC.
100 Universal City Plaza
Universal City, California 91608
Attention: Victor Temkin

All payments shall be sent to the above address, Attn: Accounting Department.

All notices to Licensee shall be sent to:

NATIONAL ELECTRONICS & WATCH CO. LTD.
14th floor, Yally Industrial Building
6 Yip Fat Street, Wong Chuk Hang
Aberdeen, Hong Kong
Attn: Mr. Ricky Wai



XVII. ASSIGNMENT: Licensor may assign any or all of its rights hereunder; but this license and all of Licensee's rights and obligations hereunder are personal to Licensee and shall not, without the prior written consent of Licensor, be assigned, mortgaged, sub-licensed or otherwise encumbered by Licensee or by operation of law.

XVIII. MISCELLANEOUS: If for any reason Licensor is required to remove the name and/or likeness of any actor or artwork from this license, Licensee shall delete same from the Articles and related items on Licensor's written request, and Licensor may, but need not, substitute any other name and/or likeness or artwork for same; nor is Licensor obligated to continue to exhibit the theatrical or T.V. property on which such proprietary rights are based. With respect to any individual actor, character or scene that Licensor may be required to so delete, it may, but need not, substitute another name and/or likeness for same from the Title.

Licensor shall be entitled to recover from Licensee all of its legal and auditing fees and expenses in the enforcement of any provisions of this Agreement excluding normal auditing fees as outlined in Paragraph V. The parties hereto are neither partners nor joint venturers hereunder, and Licensee shall have no power nor authority to obligate or bind Licensor in any manner whatsoever.... Licensor's failure or delay to enforce any rights hereunder shall not be a waiver of such rights or a modification of this Agreement.... This is an independent contract, unrelated to any other such agreement(s) Licensor may now have or later enter into with Licensee or its affiliated company, and the provisions of this Agreement shall relate only to the products licensed hereunder.

This license shall be construed in accordance with the laws of the State of California, and claims and/or lawsuits may be brought in Los Angeles County in Licensor's sole discretion if both parties reside in the U.S.A.

Please indicate your understanding and agreement to the above by signing where indicated below.

UNDERSTOOD AND AGREED:

National Electronics & Watch Co. Ltd.
Hong Kong
(Licensee)

By

Date: MAY 24 1983



MERCHANDISING CORPORATION OF
AMERICA, INC. (Licensor)

By